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C O N F I D E N T I A L KATHMANDU 000837

SIPDIS

STATE FOR SA/INS
LONDON FOR POL - GURNEY

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TAGS: [PTER](#) [PGOV](#) [NP](#)

SUBJECT: NEPAL: SECOND ROUND OF TALKS BETWEEN INSURGENTS,
GOVERNMENT SCHEDULED AMID FUROR OVER USG TERRORISM WATCHLIST

REF: A. (A) KATHMANDU 0769

[B](#). (B) KATHMANDU 0814

Classified By: DCM ROBERT K. BOGGS. REASON: 1.5 (B,D).

[1](#)1. (U) The second round of talks between the Government of Nepal (GON) and Maoist insurgents is scheduled to take place on May 9 at an undisclosed location, according to local press reports. The initial round was held less than a week earlier at a Kathmandu hotel (Ref A). No agenda for the second round has yet been made public.

[1](#)2. (SBU) The announcement of this next round follows closely upon dire predictions by Maoist negotiators and even some mainstream politicians that the USG decision to place the Maoists on a watchlist in its annual terrorism report could "derail" peace talks. In a May 7 interview with a left-wing vernacular newspaper, Maoist ideologue Baburam Bhattarai described the listing as "an unsuccessful attempt by the US to jeopardize talks. . . . and to establish a military base in Nepal and fulfil its strategic interest in South Asia." In another interview in the Maoist publication "Janadesh," Bhattarai charged, "The action increases the chances of turning the country into a battlefield by turning China and India against each other. There is no doubt that the action will have a serious and far-reaching effect on the sovereignty and independence of the country. . . . The declaration is . . . a big conspiracy against Nepali nationalism and Nepali people." At a rally in Kathmandu on May 4 (Ref B), Communist Party of Nepal - United Marxist Leninist (UML) General Secretary Madhav Nepal warned that the USG action "could disrupt the peace process." In a televised interview that aired on May 5, Ambassador Malinowski clarified the significance of the listing, noting that the Maoists' actions against US interests had landed them on the watchlist (septel). He noted that, contrary to widespread speculation, the release of the report was not/not intentionally timed to coincide with the peace talks.

[1](#)3. (C) The expatriate head of an NGO called poloff May 4 to communicate Bhattarai's dismay at the listing. Bhattarai reportedly had said that the Maoists had declared a ceasefire and come to the negotiating table "in good faith" to try for a peaceful settlement. The Maoists were thus "genuinely mystified" by the listing, and wondered if they were supposed to be "negotiating with Kathmandu or Washington." The NGO head indicated the Maoists might be interested in resuming dialogue with an Embassy representative to clarify matters. Poloff declined, replying that matters were likely clear enough already to the Maoists, i.e., that their own actions against US employees and interests had earned them the listing.

[1](#)4. (C) Comment: The Maoists are clearly dismayed by the listing, which they fear may impede the charm offensive they have launched with the diplomatic community, members of civil society, and the local intelligentsia since coming above ground on March 28. We will continue to convey the message, both publicly and privately, that the listing took place because of Maoist actions against the USG, that our decision was made independently of Maoist actions against the GON and the GON decision to stop characterizing them as terrorists, and that the listing cannot thus be misconstrued as "internal interference." Maoist rhetoric aside, we are encouraged that the two sides have agreed to a second round of talks. This decision strengthens our perception that the US' firm opposition Maoist violence is a major consideration in their pursuit of a political settlement.

MALINOWSKI